

## Message Text

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ACTION STR-04

INFO OCT-01 STRE-00 ISO-00 AGR-05 FEA-01 CEA-01  
CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07  
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02  
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02  
OMB-01 OIC-02 IO-13 AF-10 ARA-10 EA-07 EUR-12  
NEA-10 IGA-02 /147 W

-----081355Z 114953 /41

P R 081258Z JUN 77

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 8056

INFO AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE SECTION 1 OF 2 GENEVA 4563

USMTN

PASS AGRICULTURE

ACTION STR

E.O. 11652: N/A

TAGS: ETRD MTN

SUBJ: GROUP AGRICULTURE

REF: GENEVA 4488

1. FOLLOWING ARE MTN DEL COMMENTS AND RECOMMENDATIONS ON THE EC PROPOSAL CONCERNING AGRICULTURE (REFTEL). THIS PROPOSAL MAY BE FIRST SUBMITTED AT US-EC BILATERALS AND THEN TO GROUP AGRICULTURE MEETING. DATE FOR THIS MEETING HAS NOT YET BEEN FIXED BUT APPEARS NOW IT MAY BE IN WEEK BEGINNING JULY 18.

2. THE SUMMARY DESCRIPTION OF EC PROPOSAL (PARAS 3 AND 4  
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OF REFTEL) APPEARS CONSISTENT WITH EC'S INTERNAL GUIDELINES FOR MTN. WE ARE NEVERTHELESS NOT SURE WHETHER EC DEL WILL INDEED HAVE AUTHORITY TO MAKE THE PROPOSAL, SINCE IT HAS STILL TO BE APPROVED BY THE MEMBER STATES AT A MEETING SCHEDULED FOR JUNE 10 IN BRUSSELS. WE UNDERSTAND THAT THE FRENCH FEAR THAT THIS PROPOSAL GOES TOO FAR WHILE THE BRITISH SEEM TO BELIEVE THAT IT IS PRIMARILY

MOTIVATED BY TACTICAL CONSIDERATIONS.

3. ASSUMING THE EC PROCEEDS IN THE WAY DESCRIBED BY JACQUOT, IT PROBABLY WOULD FIRST OUTLINE THIS APPROACH DURING THE HIGH-LEVEL US-EC CONSULTATIONS IN MID-JULY PRIOR TO THE GROUP AGRICULTURE MEETING.

4. MTN DEL HAS BEEN IN FAVOR FOR MANY MONTHS NOW OF TRYING TO WORK OUT AN UNDERSTANDING WITH THE EC ON HOW HANDLE AGRICULTURE IN THE MTN. WE ARE SUMMARIZING BELOW THE MAIN ELEMENTS OF THE KIND OF UNDERSTANDING WE IN MTN DEL HAVE FACTORED FOR SOME TIME AND RESPECTFULLY URGE CAREFUL WEIGHING OF THESE SUGGESTIONS AGAINST THE ALTERNATIVE OF SIMPLY STANDING PAT AND CONTINUING THE STERILE PROCEDURAL DISPUTE OF PAST SEVERAL YEARS.

(A) MTN DEL FAVORS CHANGING PREVIOUS ADMINISTRATION'S POLICY THAT AGRICULTURAL PRODUCTS MUST BE INCLUDED IN AUTOMATIC APPLICABILITY OF THE TARIFF-CUTTING FORMULA TO A POLICY OF ADOPTION OF A "REQUEST-OFFER" PROCEDURE (WHICH COULD BE CARRIED OUT UNDER THE AUSPICES OF GROUP AGRICULTURE). THIS COULD BE PORTRAYED IN BILATERAL US-EC NEGOTIATIONS AS A MAJOR CONCESSION TO THE EC BECAUSE IT IS WHAT THEY ARE ASKING FOR. HOWEVER, IT WOULD NOT BE A CONCESSION AT ALL BUT, RATHER, IT WOULD BE IN THE BEST INTERESTS OF OUR OWN DOMESTIC AGRICULTURE BECAUSE IT WOULD ALLOW US TO CONCENTRATE NEGOTIATIONS ON PRODUCTS OF TRADE INTEREST TO THE U.S. AND AVOID GIVING THE EC AND OTHER COUNTRIES A "FREE-RIDE." IT WOULD AVOID GIVING LIMITED OFFICIAL USE

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THE EC CREDIT FOR ESSENTIALLY MEANINGLESS TARIFF CUTS ON PRODUCTS SUBJECT TO THE CAP. MOREOVER, WE SEE NO WAY TO INDUCE OTHER COUNTRIES SUCH AS JAPAN OR CANADA TO CUT THEIR AGRICULTURAL TARIFFS VIA A COMMON FORMULA FOR INDUSTRY AND AGRICULTURE, WHILE THE EC APPLIES THE FORMULA ONLY TO INDUSTRIAL PRODUCTS. MASSIVE AGRICULTURAL EXCEPTIONS TO A UNIFORM FORMULA CUT WOULD BE INEVITABLE (INCLUDING BY THE U.S.) THUS UNDERMINING THE IDEA OF KEEPING EXCEPTIONS TO A BARE MINIMUM. MTN GENEVA 3742 MADE SEVERAL MORE DETAILED SUGGESTIONS WITH RESPECT TO A "REQUEST-OFFER" PROCEDURE FOR AGRICULTURAL TARIFFS, ONE KEY ELEMENT BEING SIMULTANEOUS TABLING OF INDUSTRIAL OFFERS/EXCEPTIONS AND AGRICULTURAL OFFERS.

(B) IN RETURN FOR THE ABOVE "CONCESSION"(SIC) TO THE EC, WE WOULD BE ENTITLED TO ASK THE EC TO DO SOMETHING WE WANT, NAMELY STOP RAISING PROCEDURAL ISSUES ABOUT THE AGRICULTURAL COVERAGE OF THE NONTARIFF MEASURE NEGOTIATING GROUPS. WE CAN THROW THEM A SOP BY EXPRESSING NO

OBJECTION TO A GROUP AGRICULTURE REVIEW FROM TIME TO TIME  
OF WHAT IS GOING ON IN NTM GROUPS AND SUBGROUPS, BUT  
THE WORK IN THE NONTARIFF MEASURES AREA SHOULD PROCEED  
WITH COVERAGE OF BOTH INDUSTRIAL AND AGRICULTURAL  
PRODUCTS. THIS IS INDISPENSABLE IN THE CASE OF CUSTOMS  
WORK, STANDARDS, IMPORT LICENSING REGIMES, SAFEGUARDS,  
GOVERNMENT PURCHASING AND, PERHAPS MOST IMPORTANT OF  
ALL, SUBSIDIES AND COUNTERVAILING DUTIES.

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TO SECSTATE WASHDC PRIORITY 8057

INFO AMEMBASSY BRUSSELS

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5. WITH REGARD TO SUBSIDIES, WE WISH TO UNDERLINE THE  
POINT MADE WITH CONSIDERABLE PERSUASIVENESS BY AMBASSA-  
DOR GREY OF CANADA DURING HIS RECENT CONSULTATIONS IN  
WASHINGTON WHEN HE CAUTIONED AGAINST HAVING RULES WITH  
RESPECT TO AGRICULTUREAL SUBSIDIES TIED IN WITH COMMODITY  
AGREEMENTS. SUCH AGREEMENTS ARE OF LIMITED DURABILTY  
AND ALSO HAVE AN UNFORTUNATE HISTORY OF BECOMING INOPERABLE.  
THEREFORE, RULES ON DISCIPLINE OVER EXPORT SUBSIDIES  
TREATED ONLY IN THE CONTEXT OF AN AGREEMENT FOR A SPECIFIC  
COMMODITY AND NOT PART OF A GENERAL CODE WOULD RUN THE  
RISK OF BECOMING INOPERABLE AS A COMMODITY AGGRANGEMENT  
EXPIRES OR COLLAPSES.

6. WE ARE AWARE THAT THE PROPOSAL IN PARA 4(A) ABOVE IS  
A CONTROVERSIAL ONE AND WE REGRET THAT THE CROWDED SCHEDULES  
OF KEY STR AND OTHER WASHINGTON OFFICIALS HAVE PRECLUDED

OUR HAVING AN OPPORTUNITY TO GO OVER IT THOROUGHLY. WE ARE AWARE THAT SOME IN WASHINGTON FEEL STRONGLY THAT THE U.S. FARM COMMUNITY SIMPLY "WILL NOT BUY IT" BECAUSE IT COULD BE CONSTRUED AS SEPARATING AGRICULTURE FROM INDUSTRY. LIMITED OFFICIAL USE

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WE BELIEVE U.S. FARM GROUPS ARE SOPHISTICATED ENOUGH TO RECOGNIZE THAT THEIR OWN INTERESTS ARE BETTER SERVED BY OUR SEEKING TRADE BENEFITS FOR U.S. AGRICULTURE RATHER THAN ALLOWING THE MTN TO FLOUNDER THROUGH THIS INCESSANT PROCEDURAL DISPUTE. IT IS OUR JUDGMENT THAT THE COMMUNITY WILL NEVER AGREE TO APPLY THE FORMULA TO AGRICULTURE AND WE THINK IT IS A SERIOUS ERROR TO JUDGMENT TO ASSUME THAT ANY OTHER U.S. TRADE PARTNER WOULD AGREE TO A FORMULA CUT APPLICABLE TO AGRICULTURE IF THE EC DOES NOT AGREE. IN A DISCUSSION HERE WITH AMBASSADOR STRAUSS, SENATORE RUSSELL LONG AND RIBICOFF, AND SENATE FINANCE COMMITTEE STAFF HERE LAST WEEK WE OUTLINED ALTERNATIVE WAYS OF UNBLOCKING THE MTN. WHILE WE EMPHASIZED THAT THE SUGGESTION IN PARA 4(A) WAS NOT REPEAT NOT U.S. POLICY BUT ONE THAT THE MTN DEL STRONGLY FAVORED, WE FOUND CONSIDERABLE RECEPTIVITY TO THE IDEA OF TRYING SOMEHOW TO GET OUT OF THE TRENCHES ON AGRICULTURE AND THAT IF IT COULD BE DEMONSTRATED THAT THIS ALTERNATIVE WOULD ADVANCE U.S. AGRICULTURAL INTERESTS, SELLING IT DOMESTICALLY WOULD NOT BE DIFFICULT. (IN THIS CONNECTION, WE LEFT WITH STARKEY LAST WEEK AN MTN DEL ANALYSIS OF THIS POINT.)

7. MTN DEL IS OF THE OPINION THE U.S. RESPONSE TO THE EC POSITION OUTLINED REFTEL WILL HAVE A MAJOR IMPACT ON WHETHER THE MTN CAN GET OFF THE GROUND THIS SUMMER. THE ISSUES PROPOSED IN REFTEL AND ABOVE ARE OF CRUCIAL IMPORTANCE AND DESERVE THE PERSONAL ATTENTION OF AMBASSADORS STRAUSS AND WOLFF TOGETHER WITH TOP LEVELS OF USDA AND OTHER AGENCIES. CULBERT

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## Message Attributes

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